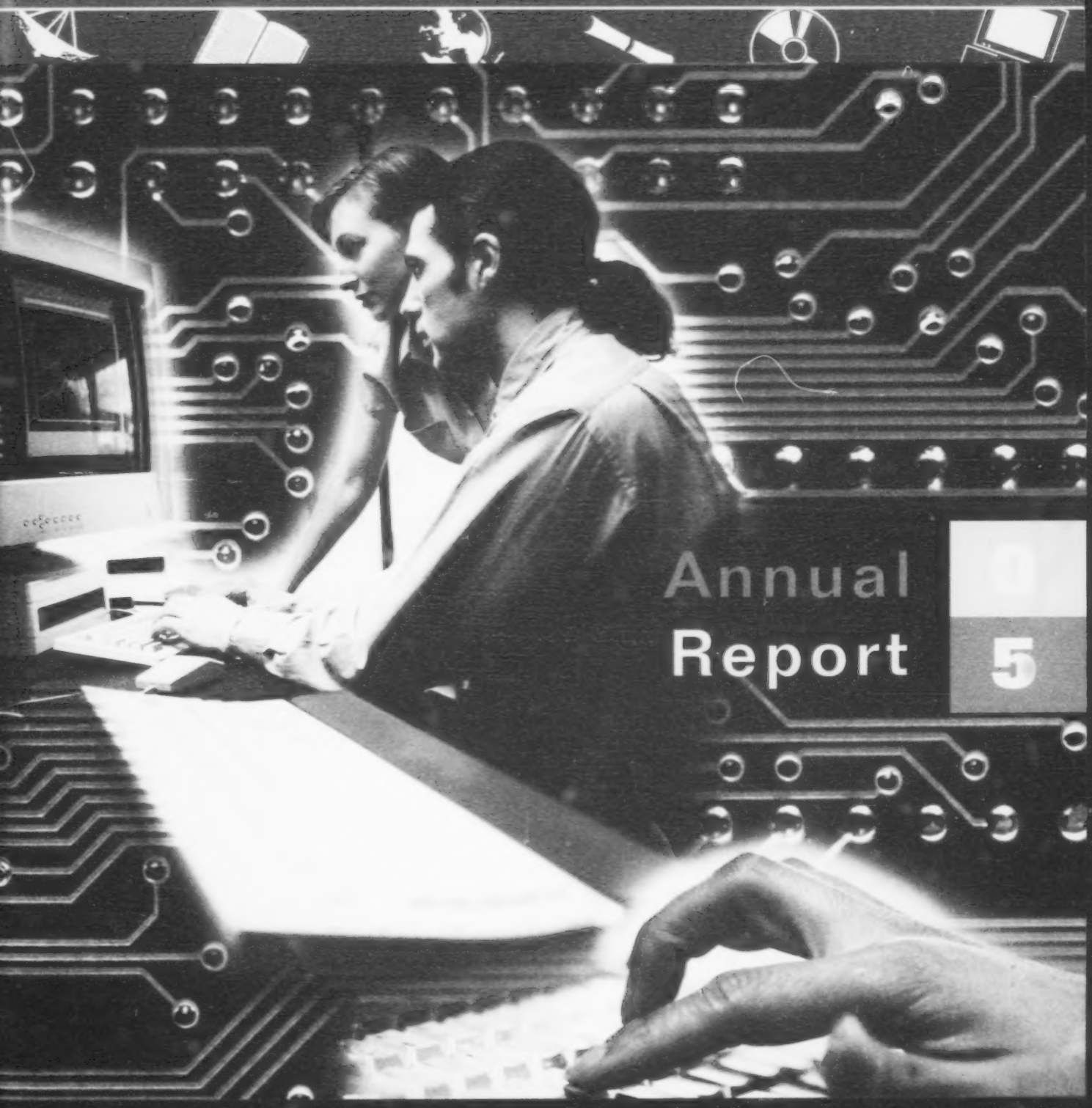
MERLIN



Annual Report 5

Manitoba · Education · Research · Learning · Information · Networks

Table of Contents

LETTER FROM THE MINISTER 1

LETTER FROM THE DEPUTY MINISTER 2

MESSAGE FROM THE CHIEF OPERATING OFFICER 3

AGENCY PROFILE

- Background 4
- Mission 4
- Mandate 4
- Critical Success Factors 4
- Goals and Objectives 4
- Services 5
- Markets 7

PERFORMANCE REVIEW

- Performance Targets and Accomplishments 8
- Future Outlook 20

FINANCIAL STATEMENT ANALYSIS 21

MANAGEMENT REPORT 22

AUDITED FINANCIAL STATEMENTS

- Auditors' Report 23
- Balance Sheet 24
- Statement of Income and Deficit 25
- Statement of Cash Flows 26
- Summary of Significant Accounting Policies 27
- Notes to Financial Statements 28
- Schedule to Financial Statements 32

MINISTER OF
ENERGY, SCIENCE AND TECHNOLOGY

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg, MB R3C 0V8

Your Honour:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ended March 31, 2005.

Respectfully submitted,

Dave Chomiak

Enclosure

Manitoba

Deputy Minister of
Energy, Science and Technology

Room 349, Legislative Building
Winnipeg, MB R3C 0V8
CANADA

(204) 945-2771
(204) 948-2747 (FAX)

Honourable David Chomiak
Minister of Energy, Science & Technology
Room 333 Legislative Building
Winnipeg, MB
R3C 0V8

Dear Minister Chomiak:

I am pleased to submit for your consideration the Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) special operating agency for the year ended March 31, 2005.

The Agency has continued to provide a wide range of cost-effective services to education community that support the use of technology in improving educational services to learners. MERLIN is committed to listening to school divisions and educational organizations, working collaboratively with Manitoba Education, Citizenship and Youth in finding cost-effective solutions. The Agency conducted consultations with every school division in this last fiscal year.

Cost savings of over $366,000 benefited school divisions in using the Agency's audio conferencing and provincial licensing services.

I would like to take this opportunity to thank the Advisory Board for their support and advice and staff for the dedication and effort that has contributed to MERLIN's success.

Respectfully submitted,

John Clarkson

Enclosure

Message from the Chief Operating Officer

On behalf of staff, I am pleased to report on the achievements of the Manitoba Education, Research and Learning Information Networks (MERLIN). As we reach our 10th year in providing services to school divisions, MERLIN has an opportunity to look back and celebrate our accomplishments and acknowledge and assess our challenges from the past years.

MERLIN is committed to listening to school divisions and educational organizations, working collaboratively with Manitoba Education, Citizenship and Youth, and seeking innovative ways to collaborate and form partnerships with divisions in finding cost-effective solutions. We will continue to invite input as we move forward in solving old problems and embracing new challenges.

MERLIN benefited school divisions with cost savings of over $366,000 in use of the Agency's audio conferencing and provincial licensing services. This exceeded savings from the previous fiscal year.

I would like to take this opportunity to thank the Advisory Board and major stakeholders for their support and advice throughout the year.

Cathy Ackland
Chief Operating Officer (Acting)
MERLIN

BACKGROUND

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education and Youth. It was formed as a facilitating body to coordinate the delivery of technology services to the education community across Manitoba.

Following a five-year Effectiveness Evaluation, MERLIN revisited its goals and objectives and re-focused its efforts to be more pro-active and responsive to the needs of the education community.

In October 2002, MERLIN was transferred to the newly formed Department of Energy, Science and Technology.

MISSION

- To support the use of technology in improving educational services to learners.

MANDATE

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and
- Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

CRITICAL SUCCESS FACTORS

- Focus on the K-S4 system
- Focus on provincial services
- Improve access to MERLIN's services for rural and northern schools
- Proactive planning

GOALS AND OBJECTIVES

Goals:

- Provide products and services in a manner which improves equity across the Province;
- Provide products and services that support self-sufficiency at the school division level;
- Support communication between the Department of Education, Citizenship and Youth and school divisions in the area of learning technologies;
- In consultation with the Department of Education, Citizenship and Youth, provide support and direction in distance learning initiatives with a focus on the technology infrastructures required to deliver distance learning opportunities;
- Support the goals of the Department of Energy, Science and Technology and the Department of Education, Citizenship and Youth;
- Be pro-active in embracing opportunities and fostering relationships to the advantage of the educational community.

Objectives:

- Aggregate demand across the province for hardware and software to provide better opportunities for all divisions;
- Build on existing business relationships with suppliers to improve the range of connectivity options available to remote school divisions;
- Develop linkages with aboriginal organizations to improve their ability to take advantage of Agency initiatives;
- Provide services to rural and northern school divisions at costs similar to urban divisions to increase equity among all divisions;

- Collaboratively develop provincial standards across the K-S4 system for use of information technology that will result in higher reliability and lower costs;
- Provide training to school divisions to assist them in acquiring the skills required to sustain operations and enhance their own technology infrastructures;
- Deliver specific services directly to those divisions where the technical resources are unavailable;
- Play a coordinating role in promoting a collaborative approach among school divisions in order to maintain standards and apply economies of scale;
- Continue to regularly meet, consult, discuss, and collaborate with the Department of Education, Citizenship and Youth and school divisions to strengthen ties between curriculum planning and technology supply.

SERVICES

Provincial Licensing/Purchasing:

Licensing and purchasing on a province-wide basis will help ensure consistency in hardware and software products and will provide economies of scale for smaller school divisions.

- Purchase advice and assistance for hardware such as routers, switches and firewalls
- Negotiation of software licensing agreements and hardware discounts
- Advice on licensing and purchasing of software

Conferencing Services:

Audio Conferencing services provide school divisions and post-secondary institutions with an option for course delivery and communication. Other government departments and organizations subsidize the cost to education by using excess bridge time.

- Operation of a 68-port digital audio conference bridge
- Audio conferencing advice and consultation
- 24x7 technical support and maintenance

Internet Services:

- Internet account packages (school or individual teacher accounts)
- Dial-up modem pool (This service will be terminated in the summer of 2005.)
- High speed direct connect services
- Help line support (1-800 service and email)
- MERLIN Advisory (requiring immediate action from school divisions)
- Internet content filtering services for schools, school divisions, individual modem users
- Listservs (set-up and administration)

CyberSchools Education Portal:

This portal is intended to provide a safe and secure environment for Manitoba students to develop their skills in using the Internet in order to communicate easily and effectively with others in the electronic age. It is available at no charge to all K-S4 students, teachers, administrators and other school division staff.

Web Delivery Services:

- Technical support of the WEB server
- Technical maintenance of the Department of Education, Citizenship and Youth WEB page
- WebCT administration and maintenance
- Web and email hosting

Information Technology Services:

These services fall within the areas of network, desktop, and security.

- Technical evaluations of computer equipment and networks
- Advice on the selection of technical equipment and services
- Support for the installation and maintenance of computer labs and systems
- Advice on technologies that support distance education delivery
- Research and development
- Router networks and support
- Network systems management
- Security services (Virtual Private Networks, Wide Area Networks, etc.)
- General support for the education community

Technical Training:

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available.

- Support for applications of distance education
- Delivery of workshops and seminars on distance education topics
- Seminars and workshops related to the practical use of technology. Examples: Licensing; Network security; GroupWise; Border Manager; Basic network administration; Windows 2000/XP Professional; Desktop Management; Portal administrative training

Provincial Technology Standards:

MERLIN has a core of highly trained specialists who play a role in developing core infrastructures and technology standards. The intent is to lead a collaborative process with participation from the K-S4 community to develop and implement standards for the use of technology across Manitoba. This is an ongoing process intended to lead to lower costs for school divisions through standardization and collaboration.

- Create and maintain architectural design standards and models
- Develop and institute 'best practice' guidelines for installation and ongoing operation of hardware and software infrastructures
- Development of an educational portal (CyberSchools) for cost-effective and efficient use of Internet connectivity

MARKETS

Primary

Schools and school divisions (K-S4) comprised of approximately 38 school divisions, over 700 public schools, 94 independent schools and over 50 band-operated schools within approximately 62 First Nations.

Secondary

Approximately 7 post-secondary institutions, adult learner centres, Department of Education, Citizenship and Youth, Advanced Education and educational organizations

Tertiary

Other government departments and related organizations

While MERLIN does not have a monopoly for its services within the province, it does have a unique position in the education community allowing for the provision of an education-specific component to decision-making, provincial coordination, and advisory services. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.

PERFORMANCE TARGETS AND ACCOMPLISHMENTS

Performance Areas

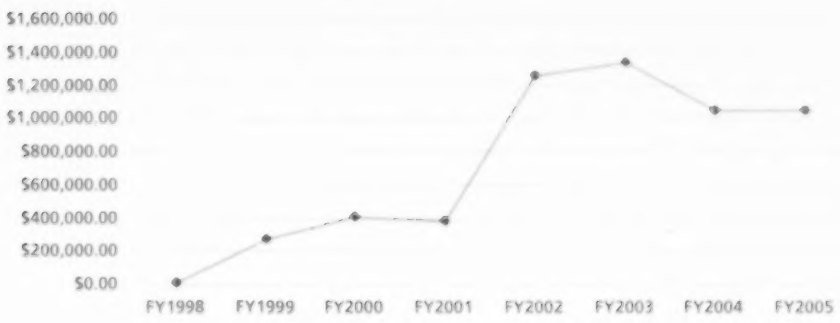
- Focus on the K-S4 system
- Focus on provincial services
- Improve access to MERLIN's services for rural and northern school divisions
- Encourage a culture that supports sustainable development practices in the workplace

Cost savings to the education community was approximately $366,000 obtained through using MERLIN's audio conferencing and licensing services.

The following services have made an impact on MERLIN's overall performance areas.

PROVINCIAL LICENSING AND PURCHASING

Software Sales



MERLIN licensing sales remain consistent. However, the expiration of the Adobe Agreement in November and the delay in the renewal of the agreement had a slight impact on the year's software sales revenue.

MERLIN has educational licensing agreements with the following vendors:

- Microsoft
- Adobe
- Symantec
- Corel
- Macromedia
- Novell

"The Portage la Prairie School Division uses MERLIN's services on a regular basis. As a rural division with limited resources for specialized services and support, we have found MERLIN to be most valuable. CyberSchools is used by our division as our primary email service for staff. Schools also have the option of having email addresses for students. MERLIN's licensing agreements have been widely used by our division. Our division has consulted with MERLIN on network infrastructure, internet connectivity, and content filtering. Our division's IT staff have also benefited professionally from MERLIN's Annual Tech Day. MERLIN provides us with resources and expertise that we do not have within our division. MERLIN has an important role in supporting technology in education. This role needs to be evaluated and expanded so that it can continue to provide a valuable service to all school divisions."

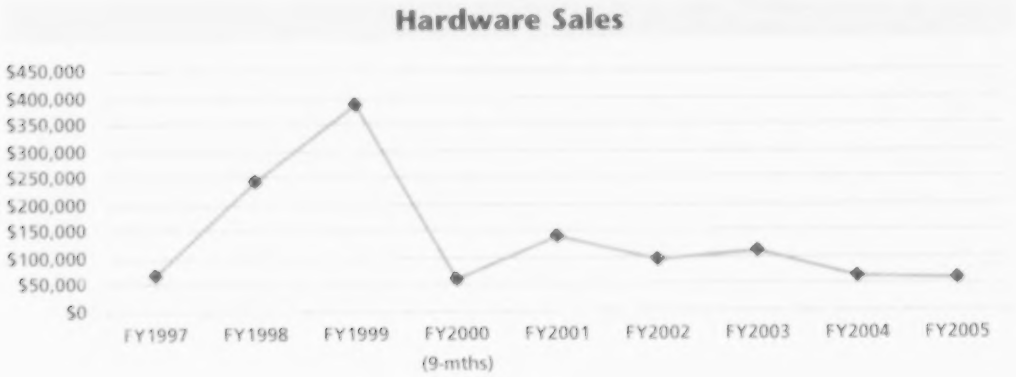
Margaret Kristoff
Computer Consultant
Portage la Prairie School Division

106-00337/

Hardware Purchasing:

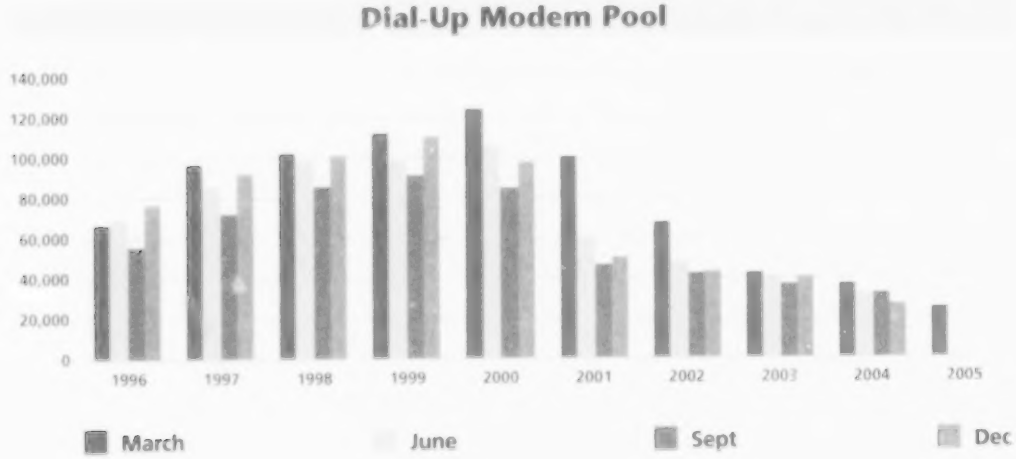
The following chart includes sales of routers, switches, firewalls, virtual private networks (VPN) and miscellaneous items.

For large orders, MERLIN encourages schools to tender for their hardware purchases. MERLIN offers a fixed educational price for networking equipment for schools.

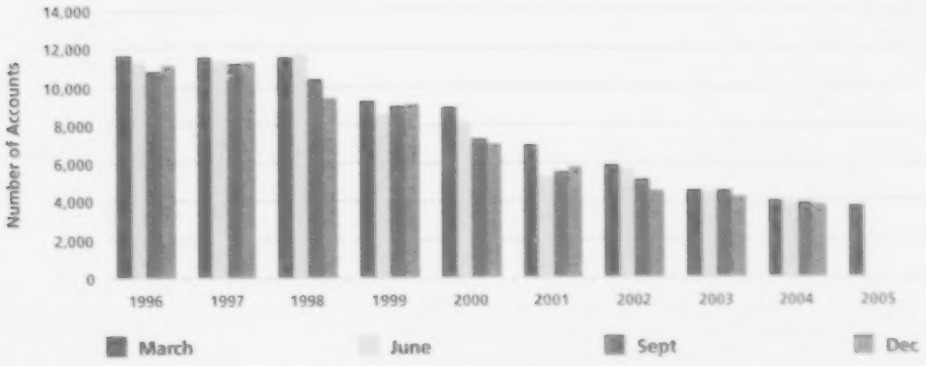


INTERNET (Dial-up)

Due to the decline of modem connect hours since school divisions switched over to Digital Subscriber Lines (DSL) and cable modems, the Agency will be reviewing this service in the next fiscal year. Interest in this dial-up service is diminishing.



Internet Accounts



CYBERSCHOOLS EDUCATION PORTAL

This customized Portal provides:

- Email, web-based calendar, file storage and personal web storage
- A safe, secure environment
- Password protected log-in
- Anti-virus and anti-spam filtering on emails
- All communication to/from the Portal is encrypted and
- All content on the Portal is accessible only by users on the CyberSchools Portal.

This Portal is available at no charge for Kindergarten to Senior 4 students, teachers, administration and other school division staff.

As of March 31, 2005, 13 school divisions have been transitioned onto the Portal. The ultimate decision regarding access for individual schools, students or grade levels within schools in the division rests with the school division. Additional school divisions continue to be transitioned onto the Portal.

Cyberschools Users

MERLIN established troubleshooting and communication strategies (for example, listservs) to inform subscribers about regular updates and upgrades to the Portal. A system upgrade took place in September 2004. This new platform provided scalability.

MERLIN now has a direct link to webmail: https://mail.cyberschools.ca. This is quite useful for students to quickly and easily check their mail. A direct link to the calendar: https/calendar.cyberschools.ca was also created.

HIGH SPEED DIRECT CONNECT SERVICES

Direct Connects: Direct, high-speed services are provided to schools via fibre, wireless, high-speed circuits and the Provincial Data Network (PDN). MERLIN continues to provide and explore value-added services such as bandwidth shaping, firewall, anti-spam, antivirus and web content filtering.

Manitoba Regional Advanced Network (MRnet): MRnet is Manitoba's connection to the global high-speed (at least 1 Gb/s) education and research network through CA*net 4. MERLIN is the gateway organization for K-S4 school connectivity to CA*net 4. The connection is available at no extra charge to schools that connect through MERLIN's Internet service and will provide access to a growing inventory of broadband content. To date, MERLIN has 9 school divisions connected to MRnet.

Provincial Data Network (PDN): Over the past few years, MERLIN has been working on a strategy to make the PDN available to schools as an additional connectivity option. The PDN connects computer systems in government offices and some agencies, boards and crown corporations. The PDN also connects all 84 community hospitals in Manitoba with other healthcare offices. MERLIN has facilitated access to the PDN for schools in Manitoba. Current connections in locations such as:

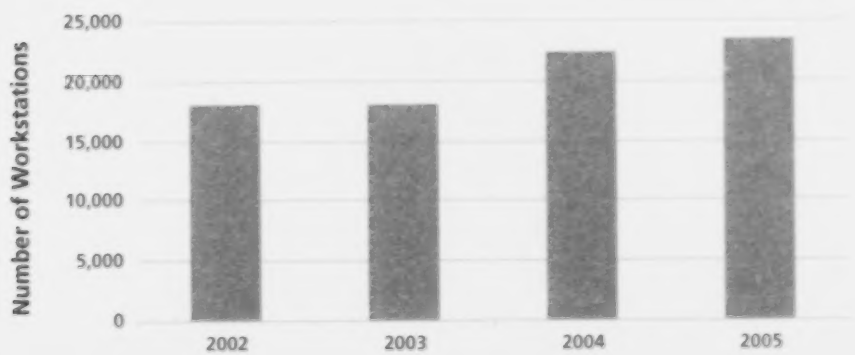
- Falcon Beach
- Norway House
- Snow Lake
- Stonewall
- Swan River
- Teulon
- The Pas
- Thompson

Total number of connections: **11** Total number of schools: **43**

Requests for connections are expected to continue slowly, but regularly, as information on its success is shared among school divisions. MERLIN anticipates requests for connections will gain momentum in the next fiscal year.

Content Filtering:

Content Filtering Comparison



The number of workstations being filtered has grown from 18,000 to 23,395 since July 1, 2001. There are presently 16 school divisions and two private schools involved in this program. MERLIN entered into a new 3-year provincial Content Filtering Agreement effective July 1, 2004. The impact is long-term cost-savings to school divisions through discounted fees as well as reduced staff time and training resources.

MERLIN reviewed its existing content filtering system last summer and established an improved service:

Increase from 30 to 78 categories

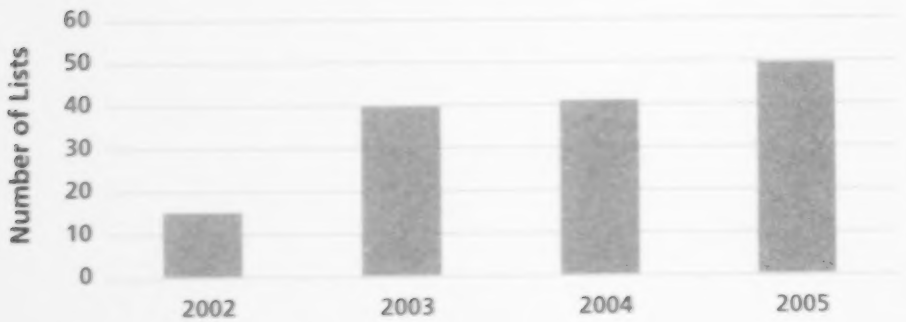
Key features:

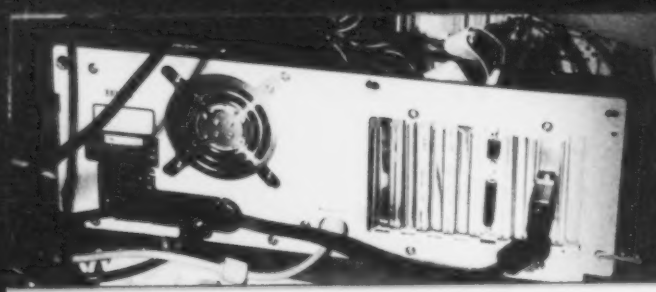
- School divisions can manage/self-administer which sites can be blocked
- White list sites
- Spyware/malicious

Email List Server:

This electronic mail discussion list gives each mailing list a unique web page and allows users to subscribe, unsubscribe, and change their account options over the web. To date, there have been 49 lists created.

Email Mailing Lists





Web Delivery:

- MERLIN continued to provide technical support of the web server and maintenance of the Department of Education, Citizenship and Youth's web page.
- MERLIN provided appropriate facilities to host the IRU/DREF from the Department of Education, Citizenship and Youth's library system and associated databases.
- The Agency hosted, on its servers, a number of secondary school courses for web-based distance delivery (WebCT). This provided an opportunity for teachers to create and deliver courses and for students to access courses not otherwise available.
- MERLIN provided web and email domain hosting. This service allows education and educational organizations to have a presence on the Internet at very affordable rates.
- MERLIN is planning to upgrade to all web servers in the upcoming year.

Technical evaluations of computer equipment and networks:

The following major projects were completed within the last fiscal year:

MERLIN has been involved with most of the school divisions in the province in a consulting role assisting with IT related projects across the province. Some of the work the Agency has done includes the following...

- Designed LAN and Wireless Wide Area Network to address security and traffic management issues.
- Provided network equipment installation and implementation.
- Rolled out a solution that provided the ability for the school division to manage their wireless WAN by providing enhanced security and functionality including remote management capabilities.
- Installed and configured and provided remote management of division firewalls.
- Setup managed switches for entire LAN infrastructure for new school.
- Deployed Linux based servers for Content Filtering, Firewall, NAT, Proxy/Cache with a Web-based GUI for management.
- Deployed and maintained:
  - Several solutions with server based computing and thin client technologies using a combination of Windows Servers and Linux Technologies
  - Email solutions with products including SUN Messaging Server, SUN Calendar server, Microsoft Exchange and Novell GroupWise
  - Firewall and Proxy solutions with products including Novell Border Manager, Microsoft ISA server, Cisco PIX, Linux
  - File and Print solutions using Microsoft Servers, Novell Servers and Linux Samba servers

"I became aware of MERLIN's Annual Technology Day about 4 years ago! It has now become an annual highlight. The day provides excellent keynote addresses, interesting demonstrations, and this year's interactive workshops! In addition to the above it is a wonderful opportunity to network with educators from around Manitoba!"

Dave Benson

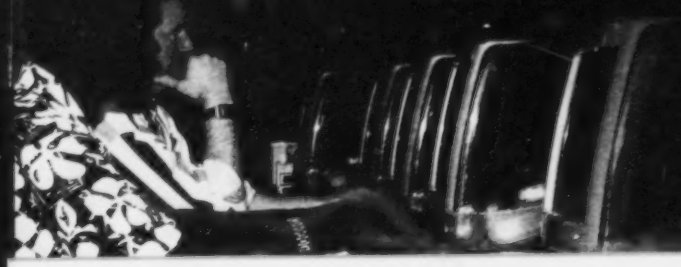
Vice Principal, Bairdmore School
Pembina Trails School Division

- User Directories with Microsoft Active Directory, Novell E-Directory, and SUN Directory Server
- Workstation management tools including Novell Zenworks and Symantec Ghost Corporate Edition
- Virtual Private Network technologies with products like Cisco PIX, Cisco VPN Concentrator and Novell Border Manager
- Database server including Oracle, Microsoft SQL server and MySQL
- Web servers including Microsoft IIS, Apache and SUN Enterprise Web server
- Fault monitoring solutions like Nagios and Microsoft MOM server
- E-Learning solution (WebCT)
- Data protection technologies including Veritas Backup Exec, and Veritas Data Centre with various Tape Autoloader Technologies
- Blackberry Enterprise server and Blackberry handheld devices
- Multiple Antivirus Enterprise solutions
- Intrusion Detection Systems
- Provincial solutions to fight email spam and virus outbreaks
- Bandwidth management tools such as Packeteer for application layer traffic filtering on internet traffic
- New version of provincial Content Filtering solution
- and troubleshoot server and workstation hardware from vendors like SUN, IBM, Dell, HP, Acer and many others.

MERLIN has also been researching new technologies and products such as VOIP, Microsoft SharePoint, FirstClass, Microsoft Class server, Novell Virtual Office, Novell Open Enterprise server, Solaris 10 for x86, Microsoft BizTalk, new secure wireless technologies, Intrusion Prevention Systems, 3com switches, Dell switches, virtualization software (VMware, Microsoft Virtual PC, Microsoft Virtual server and Solaris Zones)

General support to the education community:

MERLIN's 7th Annual Technology Day was once again very successful. Positive feedback was received on the addition of a 4th track with "hands-on" instruction in computer labs. Adobe and Macromedia sponsored the labs and ManACE provided the instructors to deliver the workshops.



- MERLIN staff member is Co-chair of the conference planning committee and Vice President of Manitoba Association for Distributed Learning and Training (MADLaT). This includes planning an annual 2-day conference to provide professional development on distance and distributed learning to over 200 participants from Manitoba, Saskatchewan, Ontario and the northern US. MERLIN's audio conferencing bridge was used extensively for meetings to plan the conference as well as meetings of the Board of Directors.
- MERLIN staff assisted ManACE with a pre Special Area Groups (SAG) evening in October 2004.
- MERLIN staff assisted with planning of CECM West's second annual Build Your Teaching Experience Conference (BYTE 2005) which took place in February.
- MERLIN staff attended meetings with the Computer Education Coordinators of Manitoba (CECM) in both the Central and Westman regions.
- MERLIN staff is Treasurer of the Manitoba Regional Advanced Network (MRnet).
- MERLIN staff is a member of the Computers for Schools Manitoba Board of Directors and Chair of the Computers for Schools Manitoba Management Committee.
- MERLIN staff participates on the Canadian Association for Distance Education (CADE) Website Committee to redesign and maintain the organization website.
- MERLIN staff participates as a juror for the CADE Awards of Excellence Program whose objective is to recognize excellence in open and distance education projects, both nationally and internationally.
- The Agency distributed the MERLIN Newsletter to the education community in January and March 2005.
- The Agency's help line continued to be widely used for free technical support on concerns ranging from Internet access to network and computer hardware issues, responding to thousands of inquiries.
- MERLIN participated in the trade shows at Riding the Wave Annual Conference (Evergreen School Division), Manitoba Association of School Superintendents (Brandon), and Bring Your Teaching Experience (Minnedosa).
- The Agency attended WebCT and Desire 2 Learn sponsor demos with Manitoba Education, Citizenship and Youth, Assiniboine Community College, Keewatin Community College, Red River College, Brandon University, University of Manitoba and University of Winnipeg.
- Staff attended the Manitoba Association of School Superintendents Annual Conference in November 2004.
- MERLIN staff attended the Post Secondary Education Committee on Learning Technologies (PSECLT) meetings on a regular basis. The committee oversees the operation of Campus Manitoba.
- Advertisements were sent to the MAST and MASS annual magazines.

TECHNICAL TRAINING

Customized training to school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available. MERLIN is responsive to the needs of school divisions and organizes workshops and training sessions to meet their expressed needs. School division technicians, computer coordinators, teachers, and administrative staff attend MERLIN's workshops. Whenever possible, MERLIN delivers workshops in rural communities making the training more accessible to rural school divisions.

SEMINARS AND/OR WORKSHOPS DELIVERED (April 1, 2004 to March 31, 2005)	**CLIENT**
MERLIN's 7th Annual Technology Day – April 16	All school divisions in the province
Novell – Zer works – May 10 – 14 (4-day)	School divisions: Prairie Rose; Frontier; Kelsey; Winnipeg; Southwest Horizon; Winnipeg Technical College; Flin Flon; Garden Valley
CyberSchools training – May 12 & June 25	Evergreen School S.D. MECY
Novell – August 10-13 (4-day)	School divisions: Flin Flon; Winnipeg; Kelsey; Frontier; Beautiful Plains; Bandon; Oxford House Board of Education
Content filtering – October 6 and 8	School divisions: Portage la Prairie; Lord Selkirk; Winnipeg; Louis Riel; Evergreen; Hanover; Prairie Rose; St. James.
New components of Netware 65 – October 26	Technicians from the following divisions: Brandon; Beautiful Plains, Rolling River, Southwest Horizon; Fort la Bosse; Turtle Mountain; Park West
Netware troubleshooting, maintenance and training – December 7, 8, 9	Norway House
Zenworks – December 16	Frontier School Division
Supporting students online – BYTE 2005 – February – Minnedosa	School divisions: Teachers from school divisions including: Rolling River; Beautiful Plains; Fort la Bosse; Brandon; Parkwest; Mountain View; Department of Education, Citizenship and Youth

AUDIO CONFERENCING (Teleconferencing)

MERLIN operates a 68-port digital audio bridge that provides school divisions and post-secondary institutions with an option for course delivery and communication. Government departments and related organizations subsidize the cost to education through use of excess bridge time. Costs are approximately 30% less than the public service provider rates.

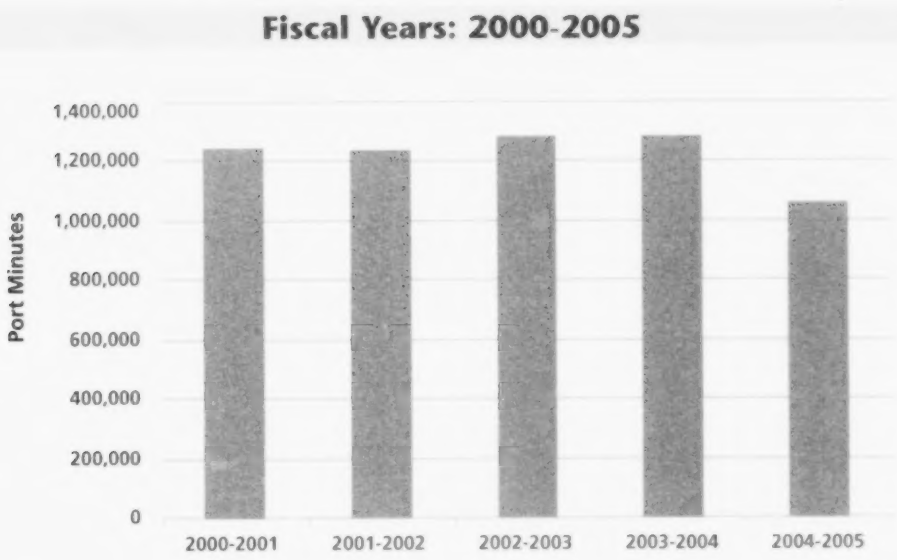
Fiscal Years	Total Port Minutes
2000 - 2001	1,250,741
2001 - 2002	1,245,212
2002 - 2003	1,288,770
2003 - 2004	1,285,048
2004 - 2005	1,065,334

"I've enjoyed using MERLIN's audio conferencing system, as we've planned our annual MADLaT conference. Audio conferencing is a very effective communication tool. It allows our committee members in many locations to contribute their ideas and expertise to the conference programming. It is cost-effective, eliminating not only travel time but the expense of lodging. Best of all, it is easy to use. I simply pick up my phone, dial in, and wait for the friendly 'Welcome' from MERLIN."

Larry Danielson
Retired Teacher, MADLaT Conference Committee and Board

Client Base,	2002-2003	2003-2004	2004-2005	Expl.
Teacher-Mediated Option	670,097	670,424	492,125	*
Post-Secondary	95,805	31,379	29,480	
Red River College	185,332	186,270	191,386	
Dep't Education	60,398	23,566	32,365	
School Divisions	9,150	5,380	4,882	
Other Departments	211,829	251,744	216,606	
External Organizations	41,150	103,521	83,732	
MERLIN	15,009	12,764	14,758	

* **The Teacher-Mediated Option has requested fewer port minutes for the 2004-05 fiscal year.**



Encourage a culture that supports sustainable practices in the workplace:

Accomplishments:

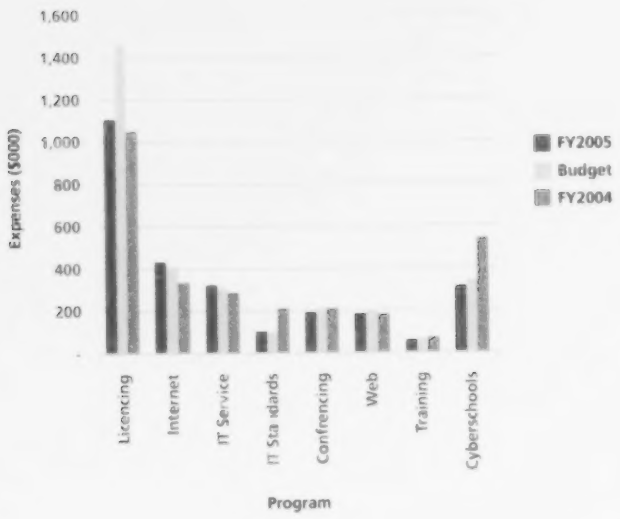
- Using recycled paper
- Paper shredding for recycling
- Sharing rides where possible
- Turning off computers and monitors when not in use
- Turning off lights when not in use
- Using glass rather than paper or styrofoam plates and cups
- One third of staff participated in the Commuter Challenge
- Increased use of audio conferencing for staff meetings and other meetings
- Visited government departments and school divisions to promote MERLIN's audio conferencing service to bring awareness that this is recognized as a sustainable practice by the Manitoba Government Sustainable Development Committee
- Created a process for emailing out Internet invoices to clients

FUTURE OUTLOOK

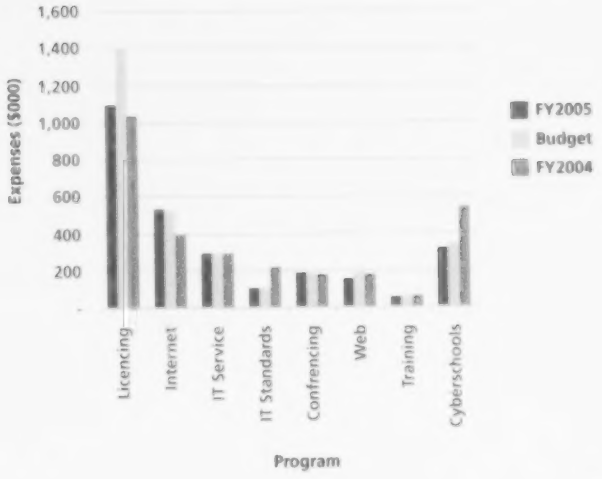
Strategic Planning

- MERLIN staff continue to participate in the Agency's strategic planning process
- In the ongoing review of existing services, the Agency continues to address the following:
  - Distributing joint CECM / MERLIN survey to look at needs and options for Portal
  - Exploring Portal opportunities with a series of presentations to the Advisory Board, MERLIN staff, Deputy Minister of Energy, Science and Technology and the Deputy Minister of Manitoba Education, Citizenship and Youth
  - Ongoing collaboration with MECY
  - Ongoing examinations of school division consultations with a view to revising MERLIN services to reflect and address needs of school divisions
  - Ongoing collaboration with other organizations to look at options for broadband for school divisions
  - Increased involvement of Advisory Board in future directions for MERLIN
  - Information Technology restructuring and its impact on MERLIN and its services
  - Examining possibilities for additional and evolving services
  - Managing staffing changes due to maternity leaves and secondment opportunities
  - Researching additional software licensing agreement opportunities
  - The incorporation of a development environment to mirror MERLIN's existing platforms
  - The exploration of opportunities to relocate MERLIN's office into Smartpark at the Fort Garry campus, University of Manitoba
  - Expanding training and development opportunities for staff

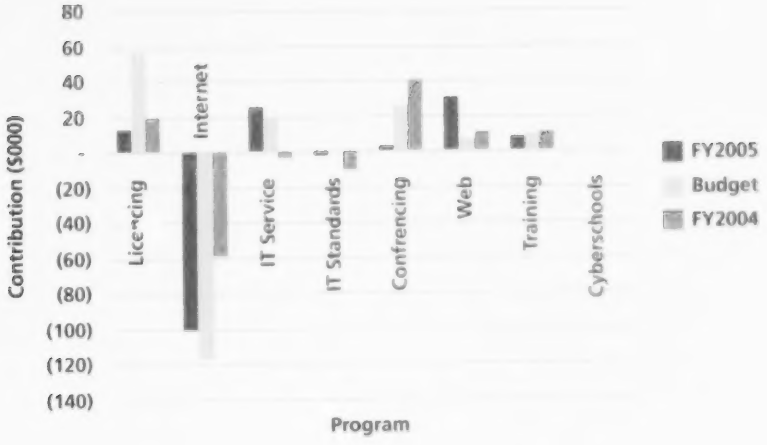
Revenue by Program



Expenses by Program



Contribution by Program



Management Report

MERLIN

Manitoba • Education • Research • Learning • Information • Networks

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with Canadian generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 17, 2005.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management

Cathy Ackland
Chief Operating Officer (Acting)

David Olafson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)
May 17, 2005

Room 427 - Education Building, University of Manitoba, Winnipeg, MB, R3T 2N2
Telephone: 1-800-430-6404 • Tel: (204) 474-7800 • Fax: (204) 474-7830
MERLIN is a special operating agency with the Department of Energy, Science and Technology

www.merlin.mb.ca

BDO

BDO Dunwoody LLP
Chartered Accountants
and Advisors
www.bdo.ca

[illegible] Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2005 and the statements of income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 17, 2005

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

As at March 31, 2005

BALANCE SHEET
(in thousands of dollars)

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and funds on deposit	$ 401	$ 652
Accounts receivable	289	185
Prepaid expense	99	131
	789	968
RECEIVABLE FROM THE PROVINCE OF MANITOBA (note 2)	47	47
CAPITAL ASSETS (note 3)	146	229
	$ 982	$ 1,244
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 274	$ 208
Unearned revenue	75	71
Trust liabilities	–	1
	349	280
CYBERSCHOOLS (note 6)	917	1,227
SEVERANCE PAY LIABILITY (note 7)	73	66
	1,339	1,573
COMMITMENTS (note 9)		
DEFICIT (page 25)	(357)	(329)
	$ 982	$ 1,244

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Year ended March 31, 2005

STATEMENT OF INCOME AND DEFICIT

(in thousands of dollars)

	2005	2004
REVENUE		
Province of Manitoba - Energy, Science and Technology Funding	$ 446	$ 445
Fee for service	1,912	1,862
Other	8	22
Cyberschools	310	535
	2,676	2,864
EXPENSES		
Advertising and promotion	16	23
Amortization	96	123
Audit and legal fees	24	30
Bad debts	7	-
Communications	251	180
Conferences	24	32
Cost of purchases for resale	933	906
Cyberschools salaries and benefits	140	87
Cyberschools other expenses	170	448
Equipment repair and maintenance	78	79
Occupancy Costs	55	54
Office and miscellaneous	21	21
Professional development	13	16
Purchased services	3	8
Salaries and benefits	838	819
Travel	35	33
	2,704	2,859
NET INCOME (LOSS) FOR THE YEAR	(28)	5
DEFICIT – BEGINNING OF YEAR	(329)	(334)
DEFICIT – END OF YEAR (page 24)	$ (357)	$ (329)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Year ended March 31, 2005

STATEMENT OF CASH FLOWS
(in thousands of dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ (28)	$ 5
Adjustment for Amortization	96	123
	68	128
Changes in non-cash working capital		
Accounts receivable	(104)	113
Prepaid expenses	32	(82)
Accounts payable	66	(254)
Unearned revenue	4	(9)
Trust liability	(1)	(86)
	(3)	(318)
	65	(190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital assets	(13)	(9)
CASH FLOWS FROM FINANCING ACTIVITIES		
Severance liability	7	8
Cyberschools	(310)	340
	(303)	348
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(251)	149
CASH AND CASH EQUIVALENTS, - BEGINNING OF YEAR	652	503
CASH AND CASH EQUIVALENTS, - END OF YEAR	$ 401	$ 652

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

Year ended March 31, 2005

BASIS OF REPORTING

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%

In the period of acquisition, amortization is calculated at one-half the rate indicated.

REVENUE RECOGNITION

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once services has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, accounts payable and accrued expenses and severance pay liability. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Year ended March 31, 2005

1 NATURE OF ORGANIZATION

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Manitoba Energy, Science and Technology, under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Energy, Science and Technology assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2 RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. This receivable, or portion thereof, for the Agency, will be collected in the event there is a cash shortfall. However, this is only likely to happen on dissolution of the Agency. The balance consists of:

		2005		2004
Vacation entitlements	$	19	$	19
Severance pay benefits		28		28
	$	47	$	47

Year ended March 31, 2005

3 CAPITAL ASSETS

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 402	$ 286	$ 451	$ 271
Computer software	18	18	47	43
Equipment and furniture	96	66	159	114
	$ 516	$ 370	$ 657	$ 428
Cost less accumulated amortization		$ 146		$ 229

4 WORKING CAPITAL ADVANCES

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million.

During the year, the Agency incurred interest charges of $NIL (2004 - $NIL).

5 ACCRUED VACATION ENTITLEMENTS

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of $19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2005, the accrued vacation entitlement was $97 (2004 - $92).

Year ended March 31, 2005

6 CYBERSCHOOLS

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway/portal to support K-S4 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

Receipts and disbursements are as follows:

		2005		2004
Deferred balance, beginning of year	$	1,227	$	887
Receipts		–		875
Disbursements		(310)		(535)
Deferred balance, end of year	$	917	$	1,227

7 SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability at that time was based on an actuarial valuation report.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $28 was completely offset by a receivable from the Province.

In accordance with the formula provided in the most recent actuarial valuation report (March 31, 2000), the Agency's liability has been calculated to be $73 as at March 31, 2005 ($66 - March 31, 2004).

8 REVENUE – MANITOBA EDUCATION, CITIZENSHIP AND YOUTH

The Agency is responsible for the delivery of distance education and technology programs formerly provided through the Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

Year ended March 31, 2005

9 COMMITMENTS

The Agency leases office space under a long-term lease. The future minimum payments required under these leases over the next two fiscal years are:

2006	$ 52
2007	26

10 COMPARATIVE FIGURES

Certain of the comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

11 PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2005 was $38 (2004 - $36).

12 PUBLIC SECTOR COMPENSATION

Pursuant to The Public Compensation Disclosure Act, employees of MERLIN who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2005 are disclosed in the Special Operating Agency Financing Authority (SOAFA) Annual Report.

Year ended March 31, 2005

Schedule of Operating Results by Functional Area

(in thousands of dollars)

	2005	2004
REVENUE		
Provincial licencing and purchasing	$ 1,102	$ 1,051
Internet services	426	329
Information technology services	315	283
Provincial technology standards	100	205
Electronic conferencing	183	210
Web delivery services	182	182
Technical training services	58	69
Cyberschools	310	535
Total Revenue	2,676	2,864
EXPENSES		
Provincial licencing and purchasing	1,090	1,032
Internet services	527	388
Information technology services	290	287
Provincial technology standards	103	216
Electronic conferencing	181	170
Web delivery services	152	172
Technical training services	51	59
Cyberschools	310	535
Total Expenses	2,704	2,859
NET INCOME (LOSS)		
Provincial licencing and purchasing	12	19
Internet services	(101)	(59)
Information technology services	25	(4)
Provincial technology standards	(3)	(11)
Electronic conferencing	2	40
Web delivery services	30	10
Technical training services	7	10
Cyberschools	–	–
Total net income (loss) for the year	(28)	5
DEFICIT – BEGINNING OF YEAR	(329)	(334)
DEFICIT – END OF YEAR	$ (357)	$ (329)

Appendix 1

STAFF AS AT MARCH 31, 2005

Cathy Ackland
Acting Chief Operating Officer

Audrey Allen-Rebizant
Administrative Assistant

Jared Bater
Consultant, Unix Technologies

Kiley Bender
Senior Consultant

Barb Carby
Internet Email / CyberSchools Administrator

Lynn Fillion
Provincial Licensing and Software Sales Specialist

Darrell Finnimore
Media Technician

Warren Grieder
Consultant, Internet Technologies

John Hiebert
Consultant, Networking Technologies

Debbie Jennings
Regional Representative and Distance Education Specialist

Diane Karalash
Office Manager

Colette Lafond-D'Heilly
Communications and Marketing Manager

David Olafson
Comptroller

Grant Wallin
Manager, Information & Communication Technologies

Vacant
Conferencing Coordinator

Vacant
Systems Manager

Appendix 2

ADVISORY BOARD

Larry Thiessen
Chair, Computer Education Coordinators of Manitoba (CECM) – Western Region
Southwest Horizon School Division

Sam Steindel
Departmental Representative
Coordinator, Distance Learning & Information Technologies Unit

Darlene Dufily
Rural Representative
Superintendent, Interlake School Division

Howard Burston
First Nations Representative
Computer Specialist/Technician
Manitoba First Nations Education Resource Center

Glen Kowalchuk
Computer Education Coordinators of Manitoba (CECM) Representative
Seine River School Division

Gerry Miller
Post Secondary Representative
Executive Director, Information Services and Technology, University of Manitoba

Reynold Redekopp
ManACE Representative
Dept Head - Technology and Business Education
River East Collegiate

Cam Mateika
Northern Representative
Director of Research & Technology
Swan Valley School Division

Don Reece
Chair, Urban Representative
Director of Information Technology
Pembina Trails School Division

Gilbert Michaud
Departmental Representative
Special Projects Coordinator
Division du Bureau de l'Education Française

Cathy Ackland
Chief Operating Officer (Acting)
MERLIN

MERLIN

A SPECIAL OPERATING AGENCY
WITH THE DEPARTMENT OF
ENERGY, SCIENCE AND TECHNOLOGY

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Manitoba Education Research Learning Information Networks